

ANIMAL HEALTH CANADA

FINANCIAL STATEMENTS

MARCH 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the members of the Organization

Opinion

We have audited the accompanying financial statements of the **Animal Health Canada** (the Organization), which comprise the statement of financial position as at March 31, 2022, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Yale PGC LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 14, 2022

ANIMAL HEALTH CANADA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 659,205	\$ 723,734
Accounts receivable	394,608	221,122
HST rebate receivable	134,179	84,819
Prepaid expenses	9,382	8,255
Undeposited funds	<u>790</u>	<u>1,120</u>
	1,198,164	1,039,050
RESTRICTED CASH (note 4)	<u>132,350</u>	<u>137,800</u>
TOTAL ASSETS	<u>\$ 1,330,514</u>	<u>\$ 1,176,850</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 519,341	\$ 317,924
Deferred revenue (note 5)	<u>71,493</u>	<u>284,701</u>
	590,834	602,625
CANADA EMERGENCY BUSINESS ACCOUNT LOAN (note 6)	<u>30,000</u>	<u>30,000</u>
TOTAL LIABILITIES	<u>620,834</u>	<u>632,625</u>
NET ASSETS		
Unrestricted	252,127	125,007
National Farm Animal Care Council Operations	200,281	185,560
Canadian Livestock Transport Operations	36,373	23,748
Projects	10,899	(90)
Internally restricted (note 7)	<u>210,000</u>	<u>210,000</u>
	709,680	544,225
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,330,514</u>	<u>\$ 1,176,850</u>

APPROVED ON BEHALF OF THE BOARD

René Roy Director

Director

ANIMAL HEALTH CANADA
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2022

	Animal Health Canada and Forum	National Farm Animal Care Council Operations	Canadian Livestock Transport Operations	Projects (Schedule 1)	Total 2022	Total 2021
REVENUE						
Federal support	\$ 127,630	\$ -	\$ -	\$ 2,095,522	\$ 2,223,152	\$ 1,696,009
Industry support	158,500	-	-	104,389	262,889	134,852
Provincial and territorial support	174,058	-	-	-	174,058	125,200
Administrative revenue	135,122	-	-	-	135,122	79,372
Forum	19,950	-	-	-	19,950	23,635
Course Revenue	22,587	-	84,150	-	106,737	106,665
Other income	1,262	4,092	-	-	5,354	41,529
Membership revenue	-	160,896	-	-	160,896	191,662
Interest income	64	217	-	-	281	221
Project surplus - deferred	-	-	-	-	-	(91,945)
	<u>639,173</u>	<u>165,205</u>	<u>84,150</u>	<u>2,199,911</u>	<u>3,088,439</u>	<u>2,307,200</u>
EXPENSES						
Administration	1,227	14,601	-	181,720	197,548	148,744
Communications	6,958	-	-	-	6,958	4,703
Contracted services	87,077	125,555	8,224	1,581,782	1,802,638	1,336,767
Direct project costs	1,233	-	504	128,225	129,962	126,961
Dues and memberships	3,248	-	-	-	3,248	-
Forum expenses	14,321	-	-	-	14,321	15,990
Health and safety	189	-	-	-	189	-
Human resources	9,557	-	-	-	9,557	-
Information technology	18,002	-	28,384	520	46,906	28,017
Insurance	2,649	-	-	-	2,649	2,219
Meetings and workshops	-	243	531	7,263	8,037	4,617
Office and general	3,184	4,381	2,464	-	10,029	19,889
Professional fees	13,497	-	213	-	13,710	20,929
Research	36,880	-	4,989	-	41,869	4,989
Transition costs	-	-	-	-	-	24,419
Translation	8,227	5,704	97	-	14,028	21,638
Travel	152	-	-	-	152	367
Wages and benefits	305,652	-	26,119	289,412	621,183	274,955
	<u>512,053</u>	<u>150,484</u>	<u>71,525</u>	<u>2,188,922</u>	<u>2,922,984</u>	<u>2,035,204</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR						
	<u>\$ 127,120</u>	<u>\$ 14,721</u>	<u>\$ 12,625</u>	<u>\$ 10,989</u>	<u>\$ 165,455</u>	<u>\$ 271,996</u>

ANIMAL HEALTH CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2022

	Unrestricted	National Farm Animal Care Council Operations	Canadian Livestock Transport Operations	Projects	Internally Restricted	Total
Year ended March 31, 2022						
Balance, beginning of year	\$ 125,007	\$ 185,560	\$ 23,748	\$ (90)	\$ 210,000	\$ 544,225
Excess of revenue over expenses for the year	<u>127,120</u>	<u>14,721</u>	<u>12,625</u>	<u>10,989</u>	<u>-</u>	<u>165,455</u>
Balance, end of year	<u>\$ 252,127</u>	<u>\$ 200,281</u>	<u>\$ 36,373</u>	<u>\$ 10,899</u>	<u>\$ 210,000</u>	<u>\$ 709,680</u>

	Unrestricted	National Farm Animal Care Council Operations	Canadian Livestock Transport Operations	Projects	Internally Restricted	Total
Year ended March 31, 2021						
Balance, beginning of year	\$ 174,696	\$ -	\$ -	\$ -	\$ -	\$ 174,696
Transfer of net assets on division transition	-	97,533	-	-	-	97,533
Excess of revenue over expenses for the year	160,311	88,027	23,748	(90)	-	271,996
Transfer to restricted fund	<u>(210,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,000</u>	<u>-</u>
Balance, end of year	<u>\$ 125,007</u>	<u>\$ 185,560</u>	<u>\$ 23,748</u>	<u>\$ (90)</u>	<u>\$ 210,000</u>	<u>\$ 544,225</u>

ANIMAL HEALTH CANADA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022

	2022	2021
CASH FLOWS FROM (USED IN)		
OPERATING		
Excess of revenues over expenses	\$ 165,455	\$ 271,996
Adjustment for:		
Loan forgiveness	-	(10,000)
Changes in non-cash working capital:		
- Accounts receivable	(173,486)	(115,181)
- HST rebate receivable	(49,360)	(35,102)
- Prepaid expenses	(1,127)	(5,845)
- Undeposited funds	330	(1,120)
- Accounts payable and accrued liabilities	201,417	132,267
- Deferred income	(213,208)	284,701
	<u>(69,979)</u>	<u>521,716</u>
FINANCING ACTIVITIES		
Canada Emergency Business Account loan	-	40,000
Assumption of divisional surplus	-	97,533
	<u>-</u>	<u>137,533</u>
NET CHANGE IN CASH	(69,979)	659,249
Cash at beginning of the year	<u>861,534</u>	<u>202,285</u>
CASH AT END OF THE YEAR	<u>\$ 791,555</u>	<u>\$ 861,534</u>
CASH REPRESENTED BY:		
Cash	659,205	723,734
Restricted cash	132,350	137,800
	<u>\$ 791,555</u>	<u>\$ 861,534</u>

ANIMAL HEALTH CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

1. STATUS AND PURPOSE OF THE ORGANIZATION

Animal Health Canada (the Organization), previously known as The National Farmed Animal Health and Welfare Council, was federally incorporated without share capital on May 20, 2011. The Organization's objective is to establish a harmonized and integrated approach to the management of animal health and welfare in Canada. The Organization acts as an advisory group to provide scientific, strategic and policy advice and recommendations on animal health and welfare matters to the public and private sectors.

On January 10, 2022, the Organization formally changed its name from The National Farmed Animal Health and Welfare Council to Animal Health Canada.

The Organization qualifies as a not-for-profit organization which is exempt from income tax under the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. The financial statement item that requires the use of estimates is accruals.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions and membership fees are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost.

Financial assets subsequently measured at amortized cost include cash, accounts receivable, HST rebate receivable, prepaid expenses, and undeposited funds. Financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and deferred revenue.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment.

ANIMAL HEALTH CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services

Members of the Organization contribute time and services to assist the Organization in carrying out its activities. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

Government assistance

Government assistance received by the Organization is recorded in the statement of operations as revenue. Government assistance in the form of forgivable loans is recorded in the period when conditions around loan forgiveness have been met.

3. ECONOMIC DEPENDENCE AND GOVERNMENT SUPPORT

The Organization is dependent on funding received from government agencies. Overall, revenue from government agencies represented approximately 78% of total revenue for the year ended March 31, 2022 (2021 - 79%).

4. RESTRICTED CASH

	2022	2021
National Farm Animal Care Council	\$ 102,669	\$ 102,388
Canadian Animal Health Institute	29,682	29,682
Animal Health Canada	-	5,730
	<u>\$ 132,351</u>	<u>\$ 137,800</u>

5. DEFERRED REVENUE

Deferred revenue represents unspent resources, externally restricted for projects and operating funds received in the current year that are related to the subsequent year's activities. Changes in the deferred revenue balance are as follows:

	National Farm Animal Care Council	Projects	Total
Balance, beginning of year	\$ 157,344	\$ 127,357	\$ 284,701
Less: Amount recognized as revenue in the year	(154,226)	(97,675)	(251,901)
Plus: Amount received related to the subsequent year	2,594	36,099	38,693
	<u>\$ 5,712</u>	<u>\$ 65,781</u>	<u>\$ 71,493</u>

6. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

Interest free loan payable to the Government of Canada, received as part of COVID-19 relief efforts. Repayment in full on or before December 31, 2023 will result in loan forgiveness of 25% of the original amount received, or \$10,000. Any unpaid loan balance at December 31, 2022 will convert into a three-year term loan bearing interest at 5% per annum.

ANIMAL HEALTH CANADA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2022

7. INTERNAL RESTRICTIONS

In 2021, the board of directors resolved to restrict \$210,000 for a reserve fund. The Council may not use these internally restricted amounts for any other purpose without the approval of the board of directors.

8. FINANCIAL INSTRUMENTS

Liquidity risk

Liquidity risk represents the risk that the Organization encounter difficulty in meeting its obligations associated with financial liabilities. The Organization is exposed to liquidity risk with respect to its accounts payable and accrued liabilities. The Organization mitigates this risk by having positive working capital available and maintaining a balance of cash.

ANIMAL HEALTH CANADA
PROJECT SCHEDULE
FOR THE YEAR ENDED MARCH 31, 2022

	Canadian Animal Health Surveillance System (CAHSS-033)	Animal Health Emergency Management (AHEM-051)	National Farm Animal Care Council (NFACC-050)	Enhancing Poultry and Livestock Handling and Transportation Training (CLT-058)	<u>African Swine Fever (ASF)</u>		Total 2022	Total 2021
					Canadian Food Inspection Agency (CFIA)	Industry		
REVENUE								
Federal support	\$ 481,967	\$ 858,796	\$ 651,592	\$ 13,167	\$ 90,000	\$ -	\$ 2,095,522	\$ 1,574,110
Industry support	-	-	-	-	-	104,389	104,389	16,352
Course revenue	-	-	-	-	-	-	-	118,233
	<u>481,967</u>	<u>858,796</u>	<u>651,592</u>	<u>13,167</u>	<u>90,000</u>	<u>104,389</u>	<u>2,199,911</u>	<u>1,708,695</u>
EXPENSES								
Administration	43,815	77,472	59,236	1,197	-	-	181,720	136,484
Communications	-	-	-	-	-	-	-	1,204
Contracted services	320,214	545,235	543,426	11,220	85,189	76,498	1,581,782	1,248,380
Direct project costs	13,556	44,546	48,930	-	-	21,193	128,225	126,961
Information technology	-	-	-	-	-	520	520	23,338
Meetings and workshops	-	7,263	-	-	-	-	7,263	4,515
Office and general	-	-	-	-	-	-	-	2,643
Transition costs	-	-	-	-	-	-	-	24,419
Translation	-	-	-	-	-	-	-	3,635
Wages and benefits	104,382	184,280	-	750	-	-	289,412	21,513
	<u>481,967</u>	<u>858,796</u>	<u>651,592</u>	<u>13,167</u>	<u>85,189</u>	<u>98,211</u>	<u>2,188,922</u>	<u>1,593,092</u>
Excess of revenues over expenses for the year	-	-	-	-	4,811	6,178	10,989	115,603
Transfer of project surplus to deferred revenue	-	-	-	-	-	-	-	(91,945)
NET PROJECT REVENUE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,811</u>	<u>\$ 6,178</u>	<u>\$ 10,989</u>	<u>\$ 23,658</u>